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TO RUEHC/SECSTATE WASHDC PRIORITY 8772
REAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEHUL/AMEMBASSY SEOUL 2738
RUEHGP/AMEMBASSY SINGAPORE 3133
RUEHKO/AMEMBASSY TOKYO 4302
RUEHIN/AIT TAIPEI 4110

C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 003840

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STATE FOR EAP/CM, EAP/K, EB/ESC/TFS, EB/IFD/OMD
TREASURY FOR FINCEN, DGLASER, WNEWCOMB, SLEVEY, LMOHTADER,
ASHARMA
JUSTICE FOR OAI, AFMLS AND NDDS

E.O. 12958: DECL: AFTER KOREAN REUNIFICATION
TAGS: [ECON](#) [EFIN](#) [HK](#) [KJUS](#) [KN](#) [MC](#) [PREL](#)
SUBJECT: UNSCR 1695 DEMARCHE DELIVERED TO HONG KONG AND
MACAU FINANCE AND TRADE AUTHORITIES

REF: A. SECSTATE 146316
[1](#)B. HONG KONG 3155
[1](#)C. SECSTATE 1325719

Classified By: Consul General James Cunningham, Reasons 1.4 (b,d,e)

[1](#)1. (U) Summary and Action request: This is an action cable, please see paragraphs 8 and 9.

[1](#)2. (C) Summary. Consulate General Officials delivered Ref A non-paper to Hong Kong and Macau Trade and Finance Authorities and urged continued vigilance to prevent transfers of North Korean financial resources and movement of goods related to North Korean's missile and WMD programs. Hong Kong Monetary and Police authorities expressed their willingness to support these efforts. They urged the U.S. Government to provide specific, detailed, evidentiary information so that they can more effectively monitor, investigate, stop and prosecute illicit activities related to North Korea's missile and WMD programs. More general information on patterns and trends would also be very useful, said the Hong Kong officials. End Summary.

[1](#)3. (C) Acting Deputy Principal Officer Laurent Charbonnet delivered Ref A non-paper to Hong Kong Monetary Association (HKMA) Deputy Chief Executive William Ryback on September

[1](#)15. Ryback emphasized that the HKMA had alerted Hong Kong banks to exercise vigilance regarding North Korean financial transactions and that HKMA officials had conducted a thorough review of North Korean transactions moving through Hong Kong banks. Based on HKMA's review, Ryback reported that the volume of North Korean transactions and money moving through Hong Kong's banks, at least on the surface level, was low, perhaps even "suspiciously small." Ryback stated that if North Korean money is moving through Hong Kong banks, it may be moving "below the surface" in disguised transactions. Ryback requested that the U.S. government provide HKMA with information/case studies on North Korean methodology for moving money and/or disguising transactions so that HKMA and Hong Kong's banks could more effectively detect illicit transactions. In the meantime, Ryback vowed to institute a first-level review of Hong Kong banks to determine if they had heeded HKMA's previous warnings on North Korean money laundering and are implementing appropriate control measures. Ryback also recommended that Consulate officials

discuss this matter with Hong Kong's Joint Financial Investigation Unit as it had direct prosecutorial responsibility over entities violating Hong Kong's banking regulations.

14. (C) HKMA Executive Director for Banking Policy Simon Topping added that HKMA could not prohibit Hong Kong banks from doing business with North Korean entities, but most banks shied away from North Korean business as it was not worth the added risk. Topping also noted that other countries in Asia did not exhibit the same level of concern and/or due diligence regarding anti-money laundering and terrorist finance issues; HKMA worries that North Korean money may simply be moving away from jurisdictions such as Hong Kong to other less-demanding jurisdictions.

15. (C) Econoff delivered Ref A non-paper to Hong Kong Police Force (HKPF) Narcotics Bureau Chief Superintendent Peter Else and Joint Financial Investigation Division Superintendent Edwin Lam on September 21. Econoff also followed up on Deputy Principal Officer Marlene Sakaue's August 4 meeting with Hong Kong Commissioner of Narcotics Rosanna Ure regarding stopping banks and couriers from assisting North Korea in moving illicit funds (Refs B and C.) Both Else and Lam said that the HKPF is watching for suspicious North Korean financial activities though they did not have anything to report regarding the case of North Korea's Daedong Credit Bank (DCB) utilizing a Hong Kong firm, SUTL Corporation, to courier cash from Pyongyang to Singapore. Else asked if there was additional information regarding this case and stated that the HKPF needs specific, concrete evidence on individuals involved in illicit activities before it can start an investigation.

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Else emphasized that Hong Kong laws are designed to deal with individuals as opposed to states - the HKPF cannot carry out a prosecutorial action against the state of North Korea but can launch an action against any "middle-men" North Korea uses to carry out its illicit activities. The policemen stressed that Hong Kong's counterterrorism laws give them the authority to investigate and prosecute suspected money launderers and proliferators of WMD technology and that they are willing to vigorously pursue these violators, but need more evidentiary information.

16. (C) Else commented Hong Kong based banks heed HKMA warnings about "high-risk customers" such as North Korean clients and that the banks often choose to avoid any dealings with such clients as a result. Even when they do deal with high-risk clients, Hong Kong banks will be more inclined to send in suspicious transaction reports on clients that they know the HKMA is concerned about. These suspicious transaction reports are actionable and investigations can sometimes be based on them. Else noted that North Korean financial activity in Hong Kong seems to have dropped recently and speculated that the North Koreans may be avoiding Hong Kong and Macau due to increased government vigilance in both territories after the Banco Delta Asia affair.

17. (U) Econoff delivered Ref A non-paper to Trade and Industry Department Assistant Director General Erica Ng. Ng thanked Econoff for the non-paper and promised to review the U.S. position but did not have any immediate comment.

18. (U) The Consul General forwarded Ref A non-paper to Macau Monetary Authority Chairman Anselmo Teng and Macau Economic Services Director Sou Tim Peng. We will report any reaction from the Macau Government.

19. (SBU) Action Request: Per the request of Hong Kong's Monetary Authority, Post suggests that Washington agencies provide case studies and/or information on trends/patterns/typologies of North Korean money laundering activities and illicit financial transactions so that HKMA

can alert Hong Kong's financial institutions to these practices.

¶10. (SBU) Action Request: Per the request of the Hong Kong Police Force, Post requests that Washington agencies provide evidentiary information on individuals and/or financial entities engaging in illicit financial practices on behalf of North Korea in Hong Kong so that HKPF can use this information to investigate and prosecute cases.

Cunningham